

INTER-OFFICE MEMORANDUM

Office of Accounts and Control

TO: Chief Payroll Officers
Departments and Agencies

DATE: November 27, 2002

FROM: Lawrence C. Franklin, Jr., State Controller

SUBJECT: Employer-Provided Educational Assistance

This is a reminder that the income tax exclusion under Internal Revenue Code Section 127 for employer-provided educational assistance was reinstated effective January 1, 1995. The maximum amount that can be excluded in a calendar year is \$5,250. This means that you can reimburse an employee using the RI SAIL Employee Advance and Expense Report document, or pay directly on their behalf, for tuition, books, supplies, etc. up to \$5,250 per calendar year and the payment(s) are not taxable to the employee.

I am sending this reminder because I recently discovered that several agencies are continuing to report these types of reimbursements via the payroll system. If the payment or any portion thereof does not exceed the annual limit on a calendar year basis, then it is not taxable to the employee.

The plan to correct the taxable wages of employees who have erroneously paid taxes on these reimbursements is 1) to correct their year-to-date earnings records for calendar year 2002, and 2) to correct prior years W-2 forms. Please be advised that these employees can file amended income tax returns for the prior three years only.

In order to correct the 2002 earnings of employees affected by this situation, you are to complete a payroll check change form in accordance with the attached sample and forward each completed form to Roberta Marocco, Payroll Supervisor in the Office of Accounts and Control. Please complete **only one** payroll check change **form for each employee for the total amount of reimbursements** paid via the payroll system **during calendar year 2002. You are to submit the forms for calendar year 2002 on or before December 13, 2002.**

For prior years you are to complete one form per employee per calendar year for the total amount reimbursed via the payroll system. Please submit forms for calendar years 2001, 2000 and 1999 only, because these employees can file amended income tax returns for the prior three years only. You can submit forms for the prior years beginning now and no later than February 28, 2003. The Office of Accounts and Control will correct the W-2 forms the earlier year years first and mail the corrected forms to the employee's home address.

Please contact Roberta Marocco via telephone at 222-5636 or via e-mail RobertaM@gw.doa.state.ri.us with any questions concerning this subject matter.

/hh
CPO:03-05 -- Attachment

STATE OF RHODE ISLAND					CHK CHG #: SAMPLE	
PAYROLL CHECK CHANGE					DATE: 11/25/02	
NAME: JOHN SMITH			PAYROLL ACCOUNT # AND BOC:		2420-10000-01-210	
SS#: 123-45-67890			RI SAIL ACCOUNT NUMBER:			
PAYPERIOD(S) INVOLVED:			DRAW A CHECK: YES NO X			
PP# 05 THRU PP# 05						
PPEND 09-07-02 THRU PPEND 09/07/02						
RET'D CHK OR DD VCHR #:						
	PRETAX	Original Check	Correct Check	Difference Employee Share	Difference State Share	FUND: 1068 NAT: 210010 LINE ITEM:
NET AMOUNT		\$ 1,568.93	\$ -	\$ 1,568.93		83012990
FICA TAX (OASDI)		\$ 120.83		\$ 120.83	\$ 120.83	83013000
FICA HI TAX		\$ 28.26		\$ 28.26	\$ 28.26	83013000
FEDERAL W/H TAX		\$ 180.12		\$ 180.12		83013010
STATE W/H TAX		\$ 50.81		\$ 50.81		83013020
TIAA - S OR TIAA - T RETIRE						83013040
TAX SHEL. ANNUITY (PLAN #)						83013060
DEFERRED COMP. (PLAN #)						83013070
AFLAC CANCER INS.						83013090
AFLAC DISABILITY INS.						83013480
COLONIAL CANCER INS.						83013100
COLONIAL DISABILITY INS.						83013460
GROUP LIFE INS. PRE TAXED						83013370
GROUP LIFE INS.						83013370
GROUP LIFE INS. (OVER 50K)						83013370
OPTIONAL GROUP LIFE INS.						83013380
POLIT. CONTRIB. (CODE #)						83013110
CREDIT UNION DEDUCTION						83013390
LEGAL INSURANCE						83013130
MQFE TAX						83013140
RETIRE TRANS - JUDICIAL						83013150
RETIRE TRANS - ST POLICE						83013160
MEDICAL RETIRE COLLEGES						83013170
MED RET PLN-RI HIGHER ED						83013520
PARKING						83013180
UNION DUES (CODE #)						83013220
HEALTHMATE COAST						83014110
DENTAL						83013680
VISION						83013690
UNIVERSAL LIFE INS.						83013400
CHARITABLE CONTRIB.(SECC)						83013410
MET LIFE INS RETIRE. PLAN						83013420
VALIC RETIREMENT PLAN						83013430
SAVINGS BONDS-I						83013500
SAVINGS BONDS-E						83013500
LIENS, COURTS, GARNISH						83013510
URI FOUNDATION (COLCAMP)						83013450
MISCELLANEOUS						83013080
DEPENDENT CARE - AFLAC						83013490
TUITION SAV PLN - RIHEA						83013530
LIUNA PENSION						83014080
PICK-UP EMPLOYEE (8430)						83013030
RETIREMENT EMPLOYER (8431)						83013030
RET HEALTH EMPLOYER (8610)						83014020
GROSS AMOUNT		\$ 1,948.95	\$ -	\$ 1,948.95	\$ 149.09	
EXPLANATION: EMPLOYEE WAS INCORRECTLY REIMBURSED TUITION THROUGH THE PAYROLL SYSTEM. THE						
DEPARTMENT IS TO REIMBURSE THE EMPLOYEE THE AMOUNT EQUAL TO THE GROSS PAY MINUS THE NET PAY						
USING A RISAIL EMPLOYEE ADVANCE AND EXPENSE VOUCHER. DO NOT REQUEST ANY FUNDS FROM THE EMPLOYEE.						

EP12 YEAR 2002 SSN [REDACTED] NEW SSN 000000000 ACCT [REDACTED]
 LAST [REDACTED] FIRST [REDACTED] MI S DOB 00 00 1900
 STREET [REDACTED] CITY [REDACTED] STATE RI ZIP [REDACTED]
 PAY PERIOD 5
 TRANCD 1 PP END 09 07 2002 CHK DATE 09 13 2002
 ACCT 20701010001 SC 30 GROSS 1948.95 OVT 1948.95 ADJ 0.00
 FICA CD 1 FICA WGS 1948.95 FICATX 120.83 281 120.83
 FICA-HI WGS 1948.95 FICA-HI TX 28.26 281-HI 28.26 FEDTX 180.12
 STATX 50.81 RETCD TIAA-T 0.00 TIAA-S 0.00 286 0.00
 VALIC 0.00 279 0.00 MET 0.00 278 0.00 293 0.00
 PKUP 0.00 280 0.00 MEDRET 0.00 TXSHL CD 00 TXSHL 0.00
 DEF CD 00 AMT 0.00 DEF2 CD 00 AMT 0.00 DEF3 CD 00 AMT 0.00
 EIC 0.00 WCOMP 0.00 FRNG 0.00 GL FRNG 0.00 IOD 0.00
 ATCH 0.00 HEMP 000 0.00 295 0.00 PEMP 00 0.00 296 0.00
 DEMP 00 0.00 297 0.00 VEMP 00 0.00 298 0.00 GLEMP 0.00
 GL-OPT 0.00 284 0.00 GL-OV50 0.00 CRUN 0.00 SECC 0.00
 EBND 0.00 UNION 000 0.00 RENT 0.00 LEGAL 0.00 CANCER 0 0.00
 POL 0.00 MISC 00 0.00 EXTRA 0.00 RET HLTH D294 0.00
 LT CARE 0.00 PARKING 0.00 UNIV LF 0.00 COL CAMP 0.00
 DISAB INS 0 0.00 TUIT SVG 0.00 I-BOND 0.00 NET 1568.93
 PTHLTH 0.00 PTCAN 0.00 PTDISAB 0.00 PTGRLF 0.00 PTDEPCARE 0.00
 RETIRE BUYBACK 0.00
 PF1 FOR MENU OR ENTER FOR NEXT PP